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## Ecuador

## Coffee

## Annual

## 2008

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**Report Highlights:**

Ecuador's coffee production is forecast to grow slightly in MY 2007. Exports are to remain constant, and bean imports are expected to continue growing. Ecuador is forecast to import, under a special re-export regime, 400,000 bags of Robusta beans in MY 2009.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Quito [EC1]  
[EC]

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**Executive Summary**

Coffee production for Marketing Year 2009 (April/March) will increase to 703,000 60-Kg. bags (Bags). This increase is explained by continued high prices.

Ecuador's local consumption grows slowly and is forecast at 162,000 Bags per year, 93 percent of which is consumed as soluble or instant coffee. Coffee exports for MY 2009 are forecast at 993,000 Bags, 77 percent of which are soluble and instant coffee products. In order to meet the industry's demand of Robusta coffee beans, in CY 2007, Ecuador imported 392,000 Bags of Robusta beans, most of which entered Ecuador under a temporary regime for industrialization and re-export. These imports are forecast to grow to 400,000 bags in MY 2009.

**PSD Table****Country****Ecuador****Commodity****Coffee, Green**

(1000 HA)(MILLION TREES)(1000 60 KG BAGS)

2007 Revised

2008 Estimate

2009 Forecast

	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
<b>Market Year Begin</b>		04/2006	04/2006		04/2007	04/2007		04/2008	04/2008
Area Planted	218	218	218	215	215	215	0	0	218
Area Harvested	208	208	208	185	185	185	0	0	187
Bearing Trees	185	185	185	170	170	170	0	0	171
Non-Bearing Trees	3	3	3	15	15	15	0	0	14
Total Tree Population	188	188	188	185	185	185	0	0	185
Beginning Stocks	10	10	10	14	14	14	12	12	12
Arabica Production	450	450	450	406	406	406	0	0	418
Robusta Production	355	355	355	274	274	274	0	0	285
Other Production	0	0	0	0	0	0	0	0	0
Total Production	805	805	805	680	680	680	0	0	703
Bean Imports	130	130	130	392	392	392	0	0	400
Roast & Ground Imports	1	1	1	1	1	1	0	0	1
Soluble Imports	91	91	91	75	75	75	0	0	77
Total Imports	222	222	222	468	468	468	0	0	478
Total Supply	1037	1037	1037	1162	1162	1162	12	12	1193
Bean Exports	285	285	285	396	396	396	0	0	230
Rst-Grnd Exp.	1	1	1	1	1	1	0	0	1
Soluble Exports	590	590	590	600	600	600	0	0	762
Total Exports	876	876	876	997	997	997	0	0	993
Rst,Ground Dom. Cons.	6	6	6	10	10	10	0	0	12
Soluble Dom. Cons.	141	141	141	143	143	143	0	0	150
Domestic Use	147	147	147	153	153	153	0	0	162
Ending Stocks	14	14	14	12	12	12	0	0	38
Total Distribution	1037	1037	1037	1162	1162	1162	0	0	1193
Exportable Production	658	658	658	527	527	527	0	0	541

## Export Trade Matrix

**Country** Ecuador

**Commodity** Coffee, Green

Time Period	Jan-Dec	Units:	60 Kg. Bag
Exports for:	2006		2007
U.S.	155728	U.S.	118135
Others		Others	
Colombia	231,799	Germany	203804
Germany	159,813	Poland	135986
Poland	134,372	Rusia	104270
U.K.	46,264	U.K.	75014
Japan	45,319	Colombia	69320
Total for Others	617,567		588394
Others not Listed	102950		286240
Grand Total	876,245		992769

## Prices Table

**Country** Ecuador

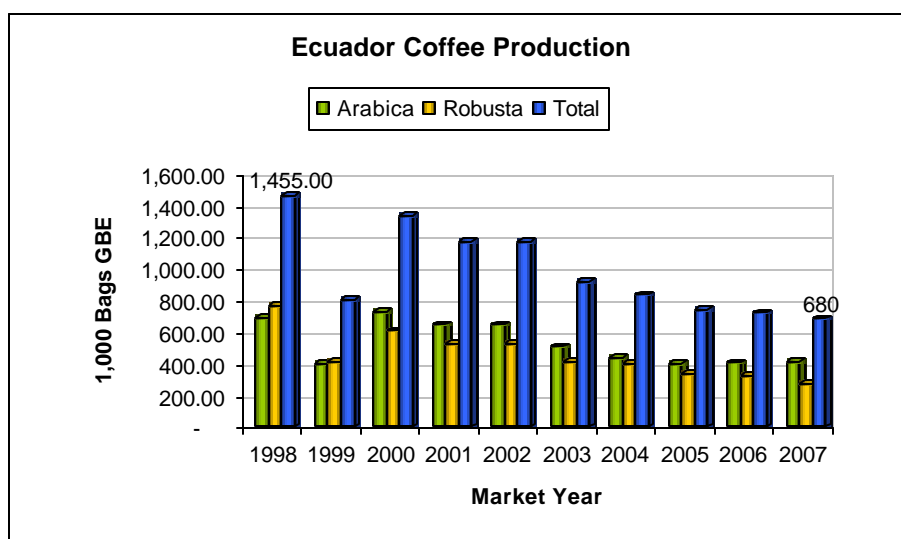
**Commodity** Coffee, Green

Prices in	US\$	per uom	45.37 Kg.
Year	2006	2007	% Change
Jan	80	119	49%
Feb	85	112	32%
Mar	90	108	20%
Apr	90	103	14%
May	85	98	15%
Jun	75	100	33%
Jul	75	101	35%
Aug	80	105	31%
Sep	85	118	39%
Oct	85	113	33%
Nov	90	117	30%
Dec	95	117	23%

## Production

For MY 2009, coffee production will increase slightly to 703,000 60-kg bags (Bags) Green Bean Equivalent (GBE) on 187,000 harvested hectares. This small increase is motivated by high international prices for both Arabica and Robusta beans. Although the price motivation should ideally push for great production increases, Ecuador's coffee sector does not yet have the capacity to react quickly to market changes. Although Ecuador has started a tree re-planting program, a large portion of bearing trees have reached over 40 years of age; thus the low productivity.

Currently, Ecuador has approximately 218,000 hectares and 105,000 farmers involved in growing coffee. A large portion (53 percent) grows additional crops and 90 percent of the production is carried out using rudimentary techniques. Arabica coffee represents 60 percent of the total production and will reach 418,000 Bags in MY 2009. Robusta production has also picked up slightly since last year, mainly because of its good price and sustained demand by Colombia and the local industry.



Prices for Arabica continued to increase during CY 2007 – by 30 percent compared to the year before – and averaged \$109.25 per Bag. **Note:** Data shown in Price Table corresponds to 60Kg. of Arabica.

## Consumption

Domestic use of coffee is forecast at 162,000 Bags for the upcoming MY 2009. Ecuadorians consume much more soluble coffee than roasted and ground coffee. This consumption pattern is explained by changes in consumer habits over the past 20 years towards economy and ease of use. Thus, a shorter preparation time has replaced the need for strong aroma and body in hot coffee drinks. Instant coffee is very popular in Ecuador and several national and imported brands are represented in the market. Ecuador also imports soluble (spray dry and freeze dry) coffee from Colombia, Brazil and other countries.

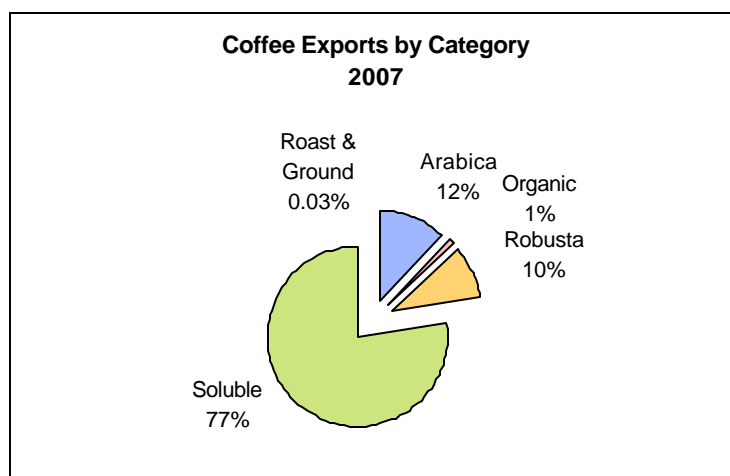
The domestic industry produces large quantities of spray dry and freeze dry coffee for domestic consumption and, more importantly, for export. The local industry has an installed

processing capacity of 1.3 million Bags per year, and needs imports of coffee beans to meet their demand.

## Trade

Exports of coffee and products are forecast to increase to 993,000 Bags in MY 2009. Exports are driven by soluble and industrialized coffee and Robusta bean exports. Exports of organic coffee beans grow slowly and represent approximately 1 percent of total exports. These exports represent 8,000 Bags in 2007. These are targeted at high-income international niche markets and for tourists and specialty stores in Ecuador.

Robusta exports have become an important matter for discussion. Despite lower world prices of Robusta in comparison to Arabica, 60 percent of Ecuador's 230,000-Bag coffee bean exports correspond to the first variety. Since Robusta is used in a larger proportion to make soluble coffee and its local price is lower than international prices, Ecuador exports Robusta beans to several markets, especially to Colombia. Ecuador exported 69,000 Bags of Robusta to Colombia in CY 2007. Since Colombian coffee has a premium price, its industries are willing to pay higher prices for Robusta beans than the Ecuadorian industry would pay locally. This is the core reason why Ecuador's Robusta beans are exported and also why the local soluble industry imports large quantities of the same variety (forecast 400,000 bags in MY 2009), which originate mainly in Vietnam, and which enter Ecuador under special import regimes.



Soluble exports, forecast at 762,000 Bags (GBE) for MY 2009, are expected to maintain their growth tendency despite lower production and prices of Robusta in Ecuador. In addition, the coffee industry has gained local and international markets for soluble coffee products, especially spray and freeze dried.

## Policy

A private institution, the National Coffee Council (COFENAC), establishes Ecuador's coffee policy. According to the law, COFENAC is the institution in charge of implementing the Law for the Coffee Sector.

This law provides a framework to promote and organize a modern coffee industry, to deal with the fluctuations of international coffee prices, and to provide loans through private

banks at preferential interest rates for the rehabilitation, renovation, and maintenance of coffee plantations. The primary goal of the loans provided by COFENAC is not to increase planted and harvested areas, but to provide access to better coffee seedlings in order to improve quality and increase yields. Currently, COFENAC is implementing the first phase of a tree renovation project in several areas of Ecuador, which involves the planting of 200,000 new trees nationwide.

COFENAC has also led a project aimed at identifying markets for organic and gourmet coffee and encouraging consumption and production of these specialty coffees. A number of farmers started production of organic coffee in 2004 and have already exported some 30,000 Bags of organic roasted and ground coffee in the past three years. The European Union is the main destination for these exports.

As for Ecuador's position regarding the U.S. participation at the ICCO, both producers and exporters believe that the return to the quota system will ease the situation of variable world prices and will encourage farmers to make new investments in the sector at the same time. However, the soluble coffee industry thinks that the return to the quota system will increase the prices of beans, making the industry less competitive in the international market.